

# **EXHIBIT 115**

SEARS

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

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DEXIA SA/NV; DEXIA HOLDINGS,  
INC.; FSA ASSET MANAGEMENT LLC;  
DEXIA CREDIT LOCAL SA,

Plaintiffs

vs.

No. 12-cv-4761  
(JSR)

BEAR STEARNS & CO., INC.,  
et al.,

Defendants.  
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VIDEOTAPED DEPOSITION OF PATTIE SEARS

DALLAS, TEXAS

JANUARY 8, 2013

Reported by: Susan S. Klinger, RMR-CRR, CSR

Job No.: 56832

1 SEARS

2 supervisor.

3 Q. And did you maintain that same title  
4 until your transfer to Texas?

5 A. I maintained the same job  
6 description.

7 Q. Okay. What was that job  
8 description?

9 A. Due diligence manager.

10 Q. Did anything else change with  
11 respect to your job duties between your  
12 obtaining the full-time position in July 1996  
13 until your move to Texas?

14 A. No, and not -- not specifically. As  
15 with all work, things evolve.

16 Q. Well, in general, what were your job  
17 duties as the due diligence manager during that  
18 time period? And that's the 1996 to 2005 time  
19 period.

20 A. When the desk would purchase whole  
21 loans, then they would send out the information  
22 to the deal manager and to the due diligence  
23 manager. I would take the information, hire an  
24 independent third-party review firm, arrange  
25 with the seller to have the review done, have

1 SEARS

2 the files available and ready at a certain  
3 time, determine the length of time the review  
4 should be and when it should be conducted and  
5 completed, and arrange for the third-party firm  
6 to be on-site to review the loans, to report  
7 back the results on a daily basis, and then  
8 working with the deal manager to decide which  
9 loans were acceptable, which would be  
10 purchased, which would not, and then the deal  
11 manager would settle the trade.

12 Q. And that was your general  
13 description from 1996 until 2005 while you were  
14 in New York City; correct?

15 A. That continued when I transferred.

16 Q. Okay. I want to focus on that first  
17 time period while you were in New York City.

18 A. Okay.

19 Q. For that time period that you  
20 just -- and the duties that you discussed,  
21 those duties applied to that time period;  
22 correct?

23 A. Yes.

24 Q. Okay. And when you first obtained  
25 this full-time position in July 1996, do you

1 SEARS

2 A. Yes.

3 Q. I'm sorry?

4 A. Yes.

5 Q. You probably learned that in  
6 obtaining your accounting degree back in  
7 college; correct?

8 A. There is nothing shameful in making  
9 a profit.

10 Q. Right. And in doing more business;  
11 correct?

12 A. Correct.

13 Q. And getting paid for doing more  
14 business; correct?

15 A. That's right.

16 Q. It's the American way; right?

17 A. I believe so.

18 Q. Although having a pleasant  
19 personality does help too; correct? Getting  
20 along with your co-workers?

21 A. I suppose so.

22 Q. Now I want to transition to when you  
23 moved to Texas. Did you maintain -- and that  
24 was in about June of 2005. Did you maintain  
25 the same title, due diligence manager?

1 SEARS

2 A. Yes.

3 Q. And again, that was about June of  
4 2005 until when?

5 A. I would say approximately June of  
6 2008.

7 Q. What happened in June 2008?

8 A. I believe that is the approximate  
9 date when I became an employee of JPMorgan  
10 Chase.

11 Q. That was as a result of the  
12 acquisition --

13 A. Yes.

14 Q. -- of JPMorgan -- acquisition of  
15 Bear Stearns by JPMorgan?

16 A. Yes.

17 Q. What was your title then as a result  
18 of -- as a result of that acquisition?

19 A. I was still -- I don't know that I  
20 specifically had a title. I -- I was to work  
21 what I -- what I did was work either in the  
22 purchase or the sale of whole loans with  
23 JPMorgan securities.

24 Q. Okay. We'll get back to that. I'm  
25 jumping around a bit, I apologize.

1 SEARS

2 performance evaluations were positive; correct?

3 A. Yes.

4 Q. 2005, do you recall whether you had  
5 a positive performance review?

6 A. Yes.

7 Q. In 2006, do you recall whether you  
8 had a positive performance review?

9 A. I believe so.

10 Q. Do you recall what your bonus was --

11 A. No, I don't.

12 Q. -- for those two years?

13 2007, did you have a positive  
14 performance review?

15 A. I believe so.

16 Q. Do you recall whether or not your  
17 bonus was higher or lower?

18 A. I don't -- I don't remember.

19 Q. For 2007, do you recall whether your  
20 bonus was higher or lower than the previous  
21 year?

22 A. I don't remember.

23 Q. For 2006, do you recall whether your  
24 bonus was higher or lower than the previous  
25 year?

1 SEARS

2 finished.

3 A. (Reviewing document.) Okay.

4 Q. Are those functions that you would  
5 typically perform as a due diligence manager?

6 A. Sample selection, yes. If you had a  
7 seller that was -- the desk had determined that  
8 you were going to do a sample review, and that  
9 was typically Alt-A or possibly the HELOCs. It  
10 was not typically a subprime transaction.

11 Q. What about for prime, would the  
12 sample be done for prime?

13 A. We did very little prime, because  
14 Bear Stearns was not competitive in bids for  
15 prime.

16 Q. And why was that?

17 A. We wouldn't -- I didn't do the  
18 bidding, but apparently we didn't bid up for  
19 prime, but some people did.

20 Q. For those purchases that were less  
21 than 100 percent sample, did you ever conduct  
22 such a sample?

23 A. Yes.

24 Q. How did you conduct those samples?

25 A. Normally a sample would be 20



1 SEARS

2 would be more attractive for the seller from a  
3 trading perspective?

4 A. Well, if all you are trying to do is  
5 save money, don't do any.

6 Q. Okay. But that's not my question.  
7 From a --

8 A. Well --

9 Q. From a trading perspective --

10 A. I --

11 MR. SLIFKIN: Let her finish.

12 A. I'm not a trader.

13 Q. Let's look at the box number 12,

14 Ms. Sears, same document. It says, "Due  
15 Diligence Firm," and then in the box it says,  
16 "Upon completion of file review, sends out a  
17 final data report upload." Do you see that?

18 A. Uh-huh.

19 Q. That's a "yes"? I'm sorry, for the  
20 record, we need yeses and noes.

21 A. Yes.

22 Q. Okay. Thanks.

23 What is a final data report?

24 A. That is a data tape from the -- the  
25 due diligence firm's underwriting program that

1 SEARS

2 tells -- that is all the data collected in the  
3 review.

4 Q. And so why is this prepared?

5 A. Because you need to know what was  
6 found in the individual files.

7 Q. Individual loan files?

8 A. Individual loan files.

9 Q. Okay. And who prepared this report?

10 A. The due diligence firm.

11 Q. The third-party due diligence  
12 firm --

13 A. Yes.

14 Q. -- that you would hire -- Bear  
15 Stearns would hire; correct?

16 A. Yes.

17 Q. And how were these prepared, if you  
18 know?

19 A. I'm not a computer person. They  
20 just had -- it just appeared.

21 Q. Okay. But they reviewed the files  
22 and accumulated the report, or did you ever  
23 have any discussions to understand how these  
24 were prepared?

25 A. We told them what format we wanted

1 SEARS

2 the information in. They gave it back to us in  
3 our format.

4 Q. Okay. And how often did you receive  
5 these?

6 A. We received them daily, and then we  
7 would get a final.

8 Q. Okay. So you received preliminary  
9 reports or draft reports daily and --

10 A. Yes.

11 Q. -- and then you would get a final.  
12 When would the final --

13 A. When the -- normally when the review  
14 was complete.

15 Q. The due diligence review?

16 A. Yes.

17 Q. And who received these preliminary  
18 reports?

19 A. The due diligence manager.

20 Q. Anybody else?

21 A. Not usually. We got -- we got them,  
22 and then I distributed back to the seller and  
23 to my deal manager on a daily basis.

24 Q. And you received these by e-mail;  
25 correct?

1 SEARS

2 A. E-mail or, you know, FTP, whatever.

3 Q. Download a site?

4 A. Yes.

5 Q. Log-in with a password --

6 A. Uh-huh.

7 Q. -- and the report would show up?

8 A. Yes.

9 Q. What percentage was e-mail versus  
10 FTP sites, if you can recall, ball-park?

11 A. We tried to use the -- the FTP site  
12 or whatever, because you could do big, big  
13 files, and it was secure, so we had those set  
14 up for our sellers and our, you know, and  
15 ourselves. And so you could leave them out  
16 there for a while if you didn't copy it to  
17 your -- it was a -- it's a really good system.

18 Q. Because -- I'm sorry, go ahead.

19 A. Because you don't have to -- to  
20 e-mail.

21 Q. If you are receiving these by lots  
22 of e-mails every day on a daily basis, it would  
23 probably jam up your e-mail account; correct?

24 A. Yes.

25 Q. At least slow it down?

1 SEARS

2 A. Yes. And we are also limited as to  
3 size sometimes.

4 Q. You mean by storage capacity for  
5 electronic documents?

6 A. No. The megabytes that can come in  
7 in one e-mail.

8 Q. Got you. So sometimes an e-mail  
9 would get rejected because it was too large?

10 A. Yes.

11 Q. And you said these were -- these  
12 reports were updated routinely. How often were  
13 they updated generally? Was it daily or  
14 hourly?

15 A. Oh, daily.

16 Q. Did you expect to receive an update  
17 at least daily?

18 A. Yes. I wanted them waiting for me  
19 when I came in at 7:30 in the morning. I  
20 didn't always get them.

21 Q. Got it. Because then you could  
22 start your day checking out --

23 A. Yes.

24 Q. -- the progress? Is that correct?

25 A. Yes.

1 SEARS

2 Q. Were the older versions retained?

3 A. Some of the people did. I always  
4 worked on a cumulative basis, so I only kept  
5 the latest version.

6 Q. Well, let's look -- let's talk about  
7 the FTP site versions first.

8 A. Uh-huh.

9 Q. Okay. When you received the next  
10 daily update, what happened to the previous  
11 day's version?

12 A. I would think it was -- generally it  
13 was left in the FTP for -- until it just -- it  
14 may have been left in the FTP site until it  
15 just went away, because I think they were  
16 purged after a certain period of time.

17 Q. Did you purge them, or how did that  
18 happen?

19 A. I could, but they just went away  
20 after, I don't know, 90 days, something like  
21 that.

22 Q. Was this Bear Stearns' FTP site?

23 A. I believe so.

24 Q. You had a --

25 A. Because we set up -- we set up the

1 SEARS

2 sellers.

3 Q. I see. So you had one that you  
4 would -- one FTP site that you would routinely  
5 log in to, and the sellers had access to that  
6 site and they would send these reports to that  
7 site; correct?

8 A. Yes, and I would get a notice that I  
9 had a delivery.

10 Q. I see. So this was a way for you to  
11 manage these reports as they came in on a daily  
12 basis; correct?

13 A. Yes.

14 Q. And that's the final data reports?

15 A. And all the preliminaries, too.

16 Q. Okay.

17 A. Because I got dailies and then I got  
18 finals.

19 Q. I see. So there were actually two  
20 different types of reports we've been  
21 discussing, the daily data reports and then a  
22 final data report?

23 A. Yes. They were just different --  
24 they were just successive versions of the same  
25 thing.

1 SEARS

2 listed here I would like to ask you about.

3 Item 12, "After the final data report, there is  
4 an individual asset report"?

5 A. Yes.

6 Q. Okay. So what is -- what is an  
7 individual asset report?

8 A. It's a PDF report that sets out the  
9 specifics of an individual loan. That's why  
10 it's called an individual asset report, and it  
11 will show the name. It will have the LTV and  
12 the purchase price and the -- the appraisal  
13 value. It will have a credit recap, and it  
14 will have a discussion of any issues that were  
15 found. And on the second page, it will have a  
16 recap of the compliance review.

17 Q. And why were these prepared?

18 A. Because they were very -- they were  
19 a summary of each loan, and it was quite easy  
20 to read them because this was a snapshot of the  
21 loan. It told you -- it was -- instead of  
22 looking at just a spreadsheet that might have  
23 hundreds -- or what felt like hundreds of  
24 columns to follow, this is a two-page snapshot  
25 or three-page that you can read through in an



1 SEARS

2 Q. 20 percent of the bulk loans were --  
3 were sampled --

4 A. Of Alt-A --

5 Q. -- of Alt-A?

6 A. -- bulk loans.

7 Q. Right. And during your time at Bear  
8 Stearns in 2005 to 2008, you estimate that  
9 about 20 percent of your experience was with  
10 Alt-A sellers; correct?

11 A. No more than that, I would say.

12 Q. No more than that, okay. And what I  
13 mean by "streamlined due diligence," I'm not  
14 talking about a sample versus 100 percent. I'm  
15 talking about the type of due diligence that is  
16 conducted, which is a due diligence review that  
17 does not require a review of all of the  
18 supporting documents in the loan file, okay?

19 So my question is, during 2005 to  
20 2008, were you aware of large bulk loan sellers  
21 being provided or being permitted to undergo  
22 streamlined due diligence in order to make Bear  
23 Stearns' bids for those loans more competitive?

24 A. No, I am not aware of that.

25 (Exhibit 189 marked.)

1 SEARS

2 subprime sellers, is going to reduce the amount  
3 of required due diligence." Do you see that?

4 A. Yes, I do.

5 Q. Does that refresh your memory as to  
6 whether or not between 2005 and 2008 that  
7 subprime sellers received a reduced amount of  
8 required due diligence in order to make Bear  
9 Stearns' bids more competitive?

10 A. This will be done on a  
11 trade-by-trade basis. And we will do 25  
12 percent credit review, 100 percent compliance  
13 review, and 100 percent real estate review. It  
14 says the same methodology, but that is 100  
15 percent.

16 I know of two trades that I worked  
17 that we did a 25 percent credit, 100 percent  
18 compliance and 100 percent of the appraisal,  
19 but I do not -- I did not -- to me, what this  
20 says bears no relation to what you said -- what  
21 you asked. This is not streamlined. This is a  
22 portion -- a sample of credit review, and 100  
23 percent compliance and 100 percent appraisal.

24 Q. Let me -- let me stop you there. I  
25 asked the question in two ways. First I asked

1 SEARS  
2 whether or not you were aware of instances  
3 where large loan -- large bulk loan sellers to  
4 Bear Stearns received streamlined due diligence  
5 in order to make Bear Stearns' bids more  
6 competitive, and then I asked whether you were  
7 aware of any instances where subprime sellers  
8 of bulk loans received reduced due diligence,  
9 and --

10 MR. SLIFKIN: Yeah, and you posed  
11 them to mislead her, right, obviously?

12 MR. MIDDLETON: No, no. I'm trying  
13 to make -- the reason I'm making the  
14 clarification right now is so that it's not  
15 misleading to her. That's why I'm, Dave --

16 MR. SLIFKIN: Dan.

17 MR. MIDDLETON: Daniel, I'm sorry --  
18 that's why I'm making clarification.

19 MR. SLIFKIN: Well, I have my  
20 opinion of you, and you disagree with that.

21 MR. MIDDLETON: That's fine. It's a  
22 speaking objection.

23 Q. Let me just finish. Let me just ask  
24 you a question and see if we can just -- the

25 reason I'm showing you this document is to see

1 SEARS  
2 if it refreshes your memory as to whether or  
3 not you recall any instances where a subprime  
4 seller of bulk loans received reduced due  
5 diligence in order to make Bear Stearns' bids  
6 more competitive?

7 A. I know on two trades we did a  
8 sample, we followed this procedure, that I'm  
9 aware of trades that I handled. There may have  
10 been others. I might not be aware of them.

11 Q. Okay.

12 A. But --

13 Q. So it is correct that during 2005, a  
14 large bulk seller of home loans received  
15 reduced due diligence so that Bear Stearns  
16 could be more competitive in its bidding for  
17 those two instances; correct?

18 A. Yes. I -- I didn't -- I should have  
19 asked you to define "streamlined," and when I  
20 did, I think you said would not have to look at  
21 all the documents. And I view that as a  
22 completely different matter than doing a sample  
23 and 100 percent compliance and appraisal.

24 Q. And --

25 A. So it may be just semantics, but I

1 SEARS

2 A. Apparently so.

3 MR. SLIFKIN: The question, Pattie,  
4 was, does it refresh your recollection.  
5 Having looked at this, do you now say, yes,  
6 I remember that?

7 THE WITNESS: Yes.

8 MR. SLIFKIN: Or are you just  
9 reading it?

10 A. I do now that I think I remember  
11 that SouthStar, Platinum and Countrywide did  
12 some, but they were John's clients.

13 Q. And this was in the 2006 time  
14 period?

15 A. Yes. And I may have been aware, but  
16 it was not something that my sellers did. We  
17 were fairly compartmentalized with our sellers.

18 Q. Did you respond to Mr. Rogers, do  
19 you recall, in response to his request?

20 A. I don't know. I may have, but I  
21 don't -- I don't remember.

22 Q. If you did, it would be on the  
23 server; right?

24 A. Yes.

25 Q. Okay. And Mr. Mongelluzzo responds

1 SEARS

2 to believe that the due diligence provider is  
3 not being told to, or not provided the lineal  
4 documentation to clear these loans." Do you  
5 see that?

6 A. That's final.

7 Q. I'm sorry?

8 A. Final documentation.

9 Q. What did I -- what did I say?

10 MR. SLIFKIN: You said lineal.

11 Q. Oh, final. I'm sorry. I didn't  
12 read the F. Well, it looks like an L to me,  
13 but I'm not going to mischaracterize it. If  
14 you think that means final, then --

15 A. I believe it does.

16 Q. Okay. During this time period, did  
17 Bear due diligence managers such as yourself  
18 have the power to override the third-party due  
19 diligence providers to clear loans that were  
20 previously rated as event grade 3s?

21 A. Yes, we could, but we would provide  
22 a reason to the firm, and that should be -- the  
23 event should be changed from 3 to -- and  
24 sometimes we used a 4, but before a 4, we could  
25 have changed it to a 1 or a 2.

1 SEARS

2 Q. What time period was that?

3 A. John Mongelluzzo wrote the memos,  
4 and I don't remember specifically. I would  
5 think it's probably in 2007, but it could be.

6 Q. Could be when?

7 A. I'm not really good with dates, but  
8 I know it will be in what was produced for you.

9 Q. You know that for a fact?

10 A. Well, I know it was in our hard  
11 drive, in our e-mails, so if you got all our  
12 e-mails, --

13 Q. We're still trying.

14 MR. MIDDLETON: I would like to mark  
15 as the next Exhibit 198.

16 (Exhibit 198 marked.)

17 Q. For the record, 198 bears Bates  
18 stamp 24633 and concludes at 24641. Do you  
19 recognize this document, Ms. Sears?

20 A. Yes.

21 Q. You prepared the attachment;  
22 correct?

23 A. Yes.

24 Q. And you wrote the e-mail on the  
25 top -- well, you wrote both e-mails here;

1 SEARS

2 correct?

3 A. Yes.

4 Q. Did you draft the attachment around  
5 May of 2007?

6 A. Yes.

7 Q. Why did you draft it at that time?

8 A. At that time, if my recollection is  
9 correct, what we were trying to do is make sure  
10 that each of the due diligence firms used, and  
11 there were times when Watterson-Prime was quite  
12 busy or Clayton was busy, and we were looking  
13 to add an additional firm, which may have  
14 been -- I know we tried using one called  
15 OfficeTiger on one trade and that was not good.  
16 We tried using we added MDMC, but what we were  
17 trying to do was make sure that everybody  
18 used -- everybody used the same -- collected  
19 the same data fields.

20 Q. Let's look at the attachment the  
21 last page.

22 A. Uh-huh.

23 Q. It says, "Questions for due  
24 diligence firms regarding the process for bulk  
25 reviews." Did you prepare that page?



1 SEARS

2 A. Yes.

3 Q. How did you come up with this list  
4 of questions for the due diligence firms?

5 A. I believe that -- I don't know if  
6 it's at the same time, but I do know that John  
7 Mongelluzzo and I and a few other people  
8 conducted third party -- we went out and  
9 visited the firms and gave them questions to  
10 ask -- or questions to answer and this -- these  
11 were certain things that we consider important.  
12 And we wanted them to tell us how they would  
13 train and staff their people or -- and then the  
14 other is things we had found and we want  
15 answers what you -- what are you going to do  
16 about it, in other words.

17 Q. Was this intended for Clayton as  
18 well?

19 A. It would have been intended for I  
20 think all of our third-party firms.

21 Q. So Watterson-Prime as well?

22 A. Yes.

23 Q. And in addition to new due  
24 diligence --

25 A. Anyone --

1 SEARS

2 Q. -- firms that you have not yet  
3 worked with?

4 A. Yes, and John and I and I believe Jo  
5 Whitworth and some other people, and I don't  
6 remember everybody who went on every trip, but  
7 we went to Michigan or Wisconsin -- Wisconsin  
8 because they're from a small town in Wisconsin.  
9 We went to see MDMC, we went to Tampa to see --  
10 we met in Clayton -- at Clayton in Tampa and  
11 saw them, and then we went to Watterson-Prime.  
12 I'm not sure -- I don't remember where we went  
13 for them.

14 Q. You discussed all of the items here  
15 listed --

16 A. Yes.

17 Q. -- on document bearing Bates number  
18 24641 --

19 A. Yes.

20 Q. -- with Clayton; correct?

21 A. With Clayton.

22 Q. And with Watterson-Prime?

23 A. I believe with Watterson-Prime, and  
24 then whether it was at this point or not or  
25 later, we also went to MDMC and talked to them

1 SEARS

2 Actually the e-mails are on the first page.

3 Does this refresh your memory at the  
4 point of time in which you decided you would no  
5 longer recommend Watterson-Prime?

6 A. Yes, I believe that -- okay, Debbie  
7 Rich worked for Steve Golden in the company he  
8 formed after he left Bear Stearns, EMC. And  
9 Debbie Rich had worked for EMC, so I would not  
10 send this type of e-mail to just anyone. This  
11 was almost family.

12 Q. Understood.

13 A. Okay. And the problems that we had  
14 had with Watterson-Prime had occurred earlier,  
15 and may have been in 2007. It could have been  
16 earlier, because I know at one time they were  
17 suspended. We had a problem with the way  
18 option ARMs were calculated in their system,  
19 and we didn't use them for a while. And it  
20 seems like we also had a problem earlier with  
21 prepayment penalties as to whether they were  
22 hard or soft, and that we had had some work  
23 redone on that.

24 Q. Let me direct you then to a part of  
25 the e-mail, and we can just cut through this.

1 SEARS

2 next Exhibit 207 an e-mail along with an  
3 attachment.

4 (Exhibit 207 marked.)

5 Q. For the record, this Exhibit 207  
6 bears Bates number DEXDEP-00024689 and  
7 concludes at 24719. It's an e-mail from  
8 Fernando Serrano to Jo-Karen Whitlock, John  
9 Mongelluzzo and Pattie Sears, Jose Carrion, and  
10 then CCed to Stephan Golden and Mary Haggerty  
11 dated January 9th, 2007. Do you recall  
12 receiving this e-mail, Ms. Sears?

13 A. Yes, I do.

14 Q. And do you recall receiving the  
15 attachment that it is attached to?

16 A. Yes.

17 Q. And is this a report prepared by  
18 Mr. Serrano's office?

19 A. I believe so.

20 Q. And Mr. Serrano is in the quality  
21 control department at Bear Stearns?

22 A. He was for a period of time.

23 Q. Was he there at this time in 2007?

24 A. Yes.

25 Q. Okay. Do you recall receiving any

1 SEARS

2 additional reports similar to the report

3 attached here?

4 A. Yes, I did receive further ones. I  
5 cannot tell you how many.

6 Q. Was this the first report?

7 A. I believe this was the first report  
8 from Fernando.

9 Q. Did you receive quality control  
10 reports similar to this -- prior to receiving  
11 Exhibit 207?

12 A. I may have. I cannot say  
13 specifically, but Fernando was new at this  
14 point, had not been with EMC very long, and  
15 this was his first at sharing information.

16 (Exhibit 208 marked.)

17 Q. I marked as the next Exhibit 208 a  
18 document bearing Bates number DEXDEP00019594.  
19 This is an e-mail and attachment, and the  
20 e-mail string in about one, two -- the third  
21 one down is from Fernando Serrano to  
22 Mr. Mongelluzzo and Jose Carrion and Pattie  
23 Sears, and it's dated February 22nd, 2007. Do  
24 you recall receiving this e-mail?

25 A. Yes.